

**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the accompanying basic financial statements of San Mateo County Community College District (the District) as of and for the years ended June 30, 2010 and 2009, and its discretely presented component unit the Education Housing Corporation as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of San Mateo County Community College District and its discretely presented component unit as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information listed in the table of contents has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 14, 2010

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

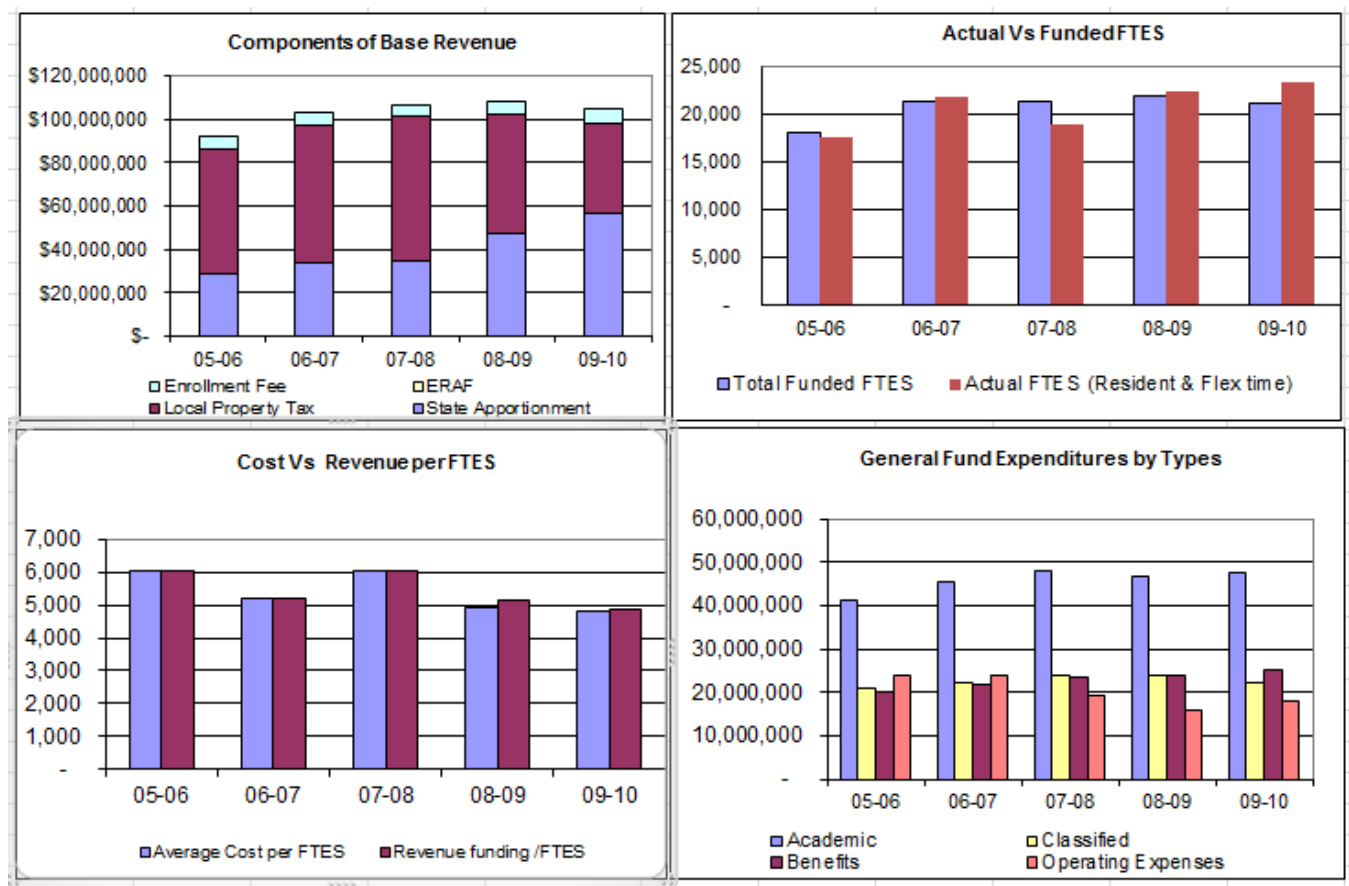
Introduction

The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2010, June 30, 2009 and June 30, 2008. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

There are three basic financial statements that provide information on the District's financial activities as a whole. These statements are:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

Financial Highlights of 2009-10



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2010 by \$186 million, and total net assets increased \$15 million over last year.
- Net noncurrent assets increased \$16 million.
- Net operating loss was \$146 million.
- Net non-operating gain was \$147 million.

Reporting for the District as a Whole

- Economic position of the District with the State

As the state's economy faltered starting in 2008/09 and continuing into 2010/11 at least, the District's economic position has been more challenging. The state cut the District's funding by 3.4% in 2009/10. As the budget deliberations continue, the outlook for funding for 2010/11 continues to look grim. The District has responded by cutting 10% of the sites' operating budgets for 2009/10 and an additional 10% for 2010/11. As of P-2, the District was over its funded FTES cap for 2009/10 by about 1600 FTES. The passage of a parcel tax for the District will bring in needed relief for 2010/11 – about \$6 million.

- Salaries and Benefits

The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District completed its three-year contracts with each of the employee bargaining groups. With no State COLA in 2009-10, and again in 2010-11, COLA is not projected in the 2010-11 budget for any employee group. The budget includes the January 1, 2010 increases (2 – 17%) in non-capped health premium rates for employees and retirees. Dental insurance and vision rates increased slightly. The PERS rate increased from 9.428% to 9.709%. The District's Unemployment Insurance Contribution Rate increased to .3%. Worker's compensation decreased slightly remained at 2%. To comply with GASB 45, in 2009-10, the District began charging itself an amount (4%) to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

As of June 30, 2010, the \$207 million November 2001 general obligation bond was expended and encumbered \$387 million of the \$468 million November 2005 general obligation bond has been spent or encumbered by contract. The 2001 bond authorization projects were completed by the end of 2009. A program definition document identifying projects, sequence of construction, and cost estimates is used for the 2005 general obligation authorization. This document is adjusted regularly to keep pace with the academic and construction environment. The funds of the 2005 general obligation bond continue to be used to refurbish the three colleges' classroom spaces and to construct new instructional and student services facilities, as well as faculty offices. The 2005 general obligation bond construction projects are scheduled to be completed by the end of 2011 with many renovation projects and subprojects already completed.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

- Cañada College Building 5 & 6 Renovation Project is a State Funded project. This project will provide facilities to support the expansion of the University Center and will also create multi-function spaces a new Student Health Center, classrooms, faculty offices and Central Duplicating. In addition, the 36 year old electrical, plumbing and HVAC system will be improved and upgraded, a new gateway and elevator will be provided, improving accessibility and architecturally tying this portion of campus into the recent improvements from the Cañada Gateway Project. The cafeteria and servery will be modernized and will feature a video wall. Construction is 20% complete as of June 30, 2010. Occupancy is expected in the fall semester of 2011.
- College of San Mateo's largest bond funded project is the Design-Build Project, which involved demolition of four buildings; construction of two new buildings, a new aquatic center, a Chiller Plant to support the new buildings and extensive site work and landscape improvements. As of June 30, 2010, this project is 80 % complete. The construction of Health and Wellness Center, Building 5, has been completed. This building, the new home for the Workforce programs, including Dental Assisting, Nursing and Cosmetology, as well as the new home for the San Mateo Fitness and Aquatics Center, was completed in spring 2010. The Athletic Club and Aquatics Center has exceeded expectations and since its opening April 1, 2010 has more than 2000 members. Cosmetology, nursing, physical education and adaptive PE classes were taught in the summer of 2010. The building will be fully occupied in the fall semester of 2010. The Chiller Plant was completed in spring 2010. The construction of the new, College Center, Building 10, began in spring 2009 and is scheduled for completion in spring 2011 with occupancy set for late spring, summer and fall 2011. This new facility will unite Student Services into a "One-Stop Shop", including admissions, career services, counseling, health center, financial aid, a learning center, disabled students programs & services, cafeteria, convenience store, coffee bar, a copy center and the CSM Bookstore. In addition, the building will house the Multi-Media program, Administration, conference rooms and medium and large forum classrooms. The majority of the Sitework, including Parking lots, new campus entries roadways and landscaping will be completed in the summer of 2010, with the central quad around Building 10 phased for the fall semester.
- College of San Mateo Building 12/15/17/34 Modernization. Buildings 12/15/17 have been completed. Buildings 15 and 17 house Division administrators, faculty, and staff. Building 17 is home to a new Student Life and Leadership Development suite and Building 12, first floor, is the new home for Fire Science and Administrative Justice. Building 34 will be the future swing home of ITS, as well as the permanent home of Fire Science Equipment storage and the CSM mail and receiving department.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

- Skyline College's largest bond funded project is the Design-Build Project, which is approximately 65% complete with the remainder currently under construction. Building 4 will be the new home of the Cosmetology program, the Multi-Cultural Center and college administration and general assignment classrooms. Building 11 Automotive Transmission Facility, was completed in spring 2010 and Automotive Transmission classes will be taught in the fall semester 2010. The Ceramics Lab renovation in Building 1 was completed and classes began in the modernized facility in the spring semester 2010. Building 4 is scheduled for completion in the spring of 2011 with occupancy planned for summer 2011. Also part of this Design Build project is parking, paving, sidewalk and roadway upgrades; new campus entries; landscape improvements and renovation of existing quads on campus. The majority of this work will be completed prior to the fall semester, 2011, with the remainder being completed early in 2011.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2010**



Rendering of Cañada Building 5 Gateway



CSM Building 5, Health and Wellness



CSM Chiller Plant



CSM Building 10, College Center



Skyline College Building 11, Automotive Transmission



Skyline College Building 4, Multicultural, Cosmetology & Administration

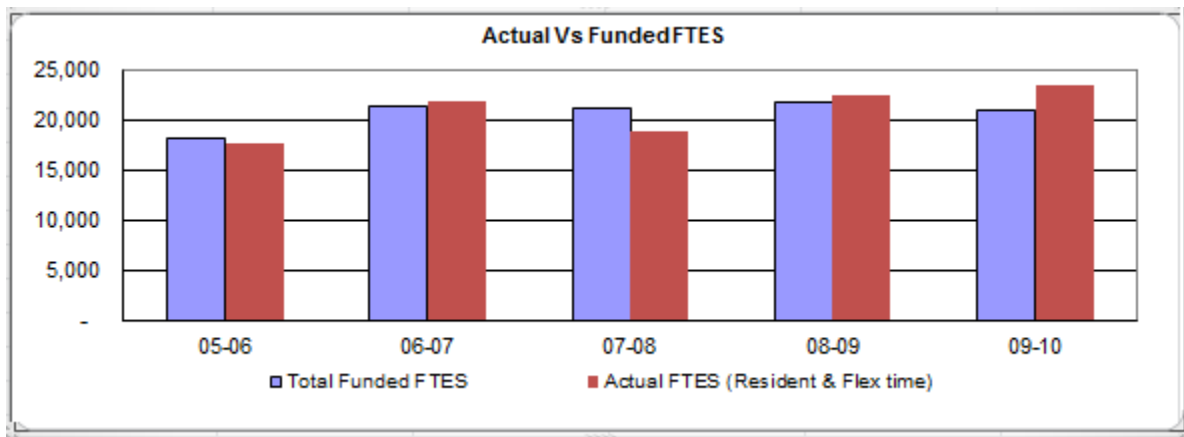
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Enrollment

Over the last several years, the District has been borrowing FTES from the following summer to boost enrollment, while being held harmless for funding in the year from which the FTES were taken. In 2008/09, the District has finally just about reached its funded FTES cap, borrowing only 116 FTES from 2009/10. With the state 3.4% reduction in funded FTES in 2009/10 and record demand, the District was over its funded FTES cap in 2009/10. The District is likely to continue to be overcap as it attempts to meet the needs of its students with shrinking resources. The FTES goals for 2010/11 have been reduced another 400 FTES under the 2009/10 goals. The following chart shows comparative funded and actual FTES data for the past five fiscal years.



Net Assets

The Statement of Net Assets below includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting basis used by private companies. Net Assets, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. Following are explanatory remarks for the statement:

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.
- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.

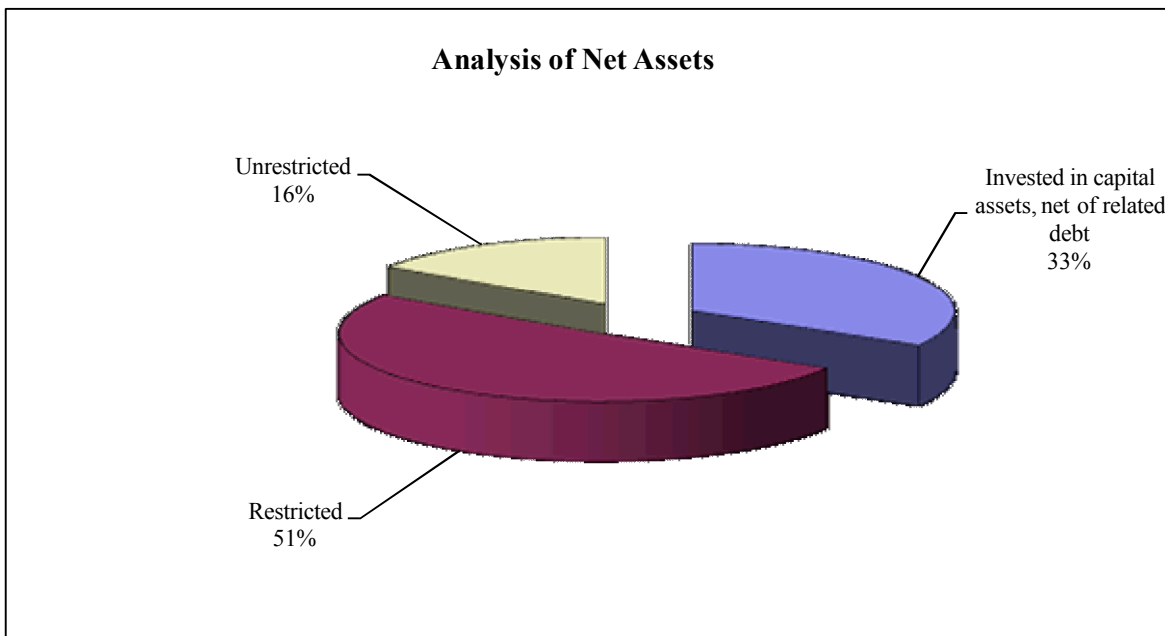
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Deferred revenues represent cash received during the fiscal year from state, federal grants, general state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.
- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond.
- According to GASB Statements, equity is reported as “Net Assets” rather than “Fund Balance.” The District’s net assets are classified as follows:
 - Invested in capital assets, net of related debt, represents the District’s total investment in capital assets and net of outstanding debt obligations related to those capital assets.
 - Restricted net assets consist of expendable and nonexpendable portions. Restricted expendable net assets include resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
 - Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the District.

Analysis of Net Assets – June 30, 2010



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Table 1 Statement of Net Assets

	2010	2009	2008
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 52,658,313	\$ 70,270,706	\$ 5,554,918
Investments	-	-	66,683,257
Accounts receivable, net	36,730,049	26,624,489	22,256,730
Student loans receivable	1,444,989	770,222	621,628
Prepaid expenses	3,592,332	172,303	3,586,283
Deferred charges	266,780	266,780	266,780
Stores inventories	1,841,518	1,832,612	1,754,594
Other current assets	-	-	25,750
Total Currents Assets	96,533,981	99,937,112	100,749,940
Noncurrent Assets:			
Deferred charges	5,149,046	5,415,828	5,682,608
Prepaid expenses	511,915	7,078,461	7,387,606
Restricted cash and cash equivalents	251,638,753	368,589,938	499,030,957
Non-depreciable capital assets	197,058,518	180,487,313	99,114,649
Depreciable capital assets, net of depreciation	408,115,705	284,577,220	250,013,002
Total Noncurrent Assets	862,473,937	846,148,760	861,228,822
TOTAL ASSETS	959,007,918	946,085,872	961,978,762
LIABILITIES			
Current Liabilities:			
Accounts payable	28,686,223	32,118,233	25,564,758
Interest payable, restricted	14,990,244	16,624,786	17,622,768
Deferred revenue	12,002,231	11,507,994	10,178,081
Amount held in trust on behalf of others	-	-	949,659
Compensated absences payable - current portion	-	-	2,303,149
Bonds and notes payable - current portion	11,200,000	9,575,000	16,065,000
Bond premium - current portion	877,627	877,627	877,627
Total Current Liabilities	67,756,325	70,703,640	73,561,042
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	3,489,506	3,338,217	1,013,153
Bonds and notes payable - noncurrent portion	683,767,051	677,772,064	670,946,723
Net OPEB Obligation	-	4,350,423	2,709,003
Other long-term liabilities - noncurrent portion	17,551,018	18,428,645	19,306,275
Total Noncurrent Liabilities	704,807,575	703,889,349	693,975,154
TOTAL LIABILITIES	772,563,900	774,592,989	767,536,196
NET ASSETS			
Invested in capital assets, net of related debt	62,387,368	66,322,802	79,328,342
Restricted for:			
Debt service	20,213,256	18,441,351	26,772,227
Capital projects	69,832,065	58,337,149	56,979,609
Educational programs	4,946,405	4,207,126	3,976,966
Other activities	188,718	166,888	177,874
Unrestricted	28,876,206	24,017,567	27,181,798
TOTAL NET ASSETS	\$ 186,444,018	\$ 171,492,883	\$ 194,416,816

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Total net assets at June 30, 2010, increased \$15 million over the prior fiscal year. The increase was primarily due to the increase in depreciable capital assets from Bond construction.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets shown below consists of operating and non-operating results of the District. Operating revenues represent all revenues from programmatic sources. Non-operating revenues include State apportionments, Local property tax revenues, investment earnings and gifts. Operating revenues include activities characterized by exchange transactions, such as student fees, sales and services of Bookstore and Cafeteria operations, services provided and contracted to grants agencies, and interest from institutional student loans. Non-operating revenue, on the other hand, is characterized by non-exchange transactions, such as donations, gifts, State appropriations and regular investment income.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Table 2 – Statement of Operating Revenues

	2010	2009	2008
OPERATING REVENUES			
Student Tuition and Fees	\$ 17,238,134	\$ 13,580,206	\$ 12,617,332
Less: Fee waivers and allowance	(4,936,761)	(3,241,560)	(2,942,230)
Net Tuition and fees	<u>12,301,373</u>	<u>10,338,646</u>	<u>9,675,102</u>
Auxiliary Enterprise Sales and Charges			
Bookstore	8,181,477	8,769,069	8,569,211
Cafeteria	186,399	211,458	207,873
Fitness Center	215,505	-	-
TOTAL OPERATING REVENUES	<u>20,884,754</u>	<u>19,319,173</u>	<u>18,452,186</u>
OPERATING EXPENSES			
Salaries	85,071,308	92,142,686	87,820,850
Employee benefits	25,920,582	31,784,596	32,107,393
Supplies, materials, and other operating expenses and services	27,522,557	32,627,603	36,265,682
Student financial aid	15,270,317	9,097,088	6,899,035
Depreciation	13,885,147	10,486,701	12,596,369
TOTAL OPERATING EXPENSES	<u>167,669,911</u>	<u>176,138,674</u>	<u>175,689,329</u>
OPERATING LOSS	<u>(146,785,157)</u>	<u>(156,819,501)</u>	<u>(157,237,143)</u>
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	55,358,880	48,244,024	33,478,098
Local property taxes, levied for general purposes	40,915,540	53,585,109	66,173,389
Local property taxes, levied for special purposes	26,507,015	24,274,761	23,577,893
Federal	19,885,592	12,285,730	9,526,924
State	7,705,476	13,644,091	12,572,475
Local	2,891,579	2,188,699	2,811,493
State taxes and other revenues	2,679,525	2,307,213	2,518,268
Investment income (loss), net	5,354,937	(15,601,986)	26,619,435
Interest expense on capital related debt	(30,256,360)	(30,588,864)	(40,904,192)
Interest income on capital asset-related debt, net	114,206	155,977	164,587
Other non-operating revenue	14,514,253	9,405,516	11,808,859
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>145,670,643</u>	<u>119,900,270</u>	<u>148,347,229</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(1,114,514)</u>	<u>(36,919,231)</u>	<u>(8,889,914)</u>
OTHER REVENUES AND EXPENSES			
State revenues, capital	1,592,888	11,103,757	12,762,469
Local revenues, capital	14,472,761	2,891,541	2,835,501
TOTAL OTHER REVENUES AND EXPENSES	<u>16,065,649</u>	<u>13,995,298</u>	<u>15,597,970</u>
INCREASE IN NET ASSETS	14,951,135	(22,923,933)	6,708,056
NET ASSETS, BEGINNING OF YEAR	171,492,883	194,416,816	187,708,760
NET ASSETS, END OF YEAR	<u>\$ 186,444,018</u>	<u>\$ 171,492,883</u>	<u>\$ 194,416,816</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

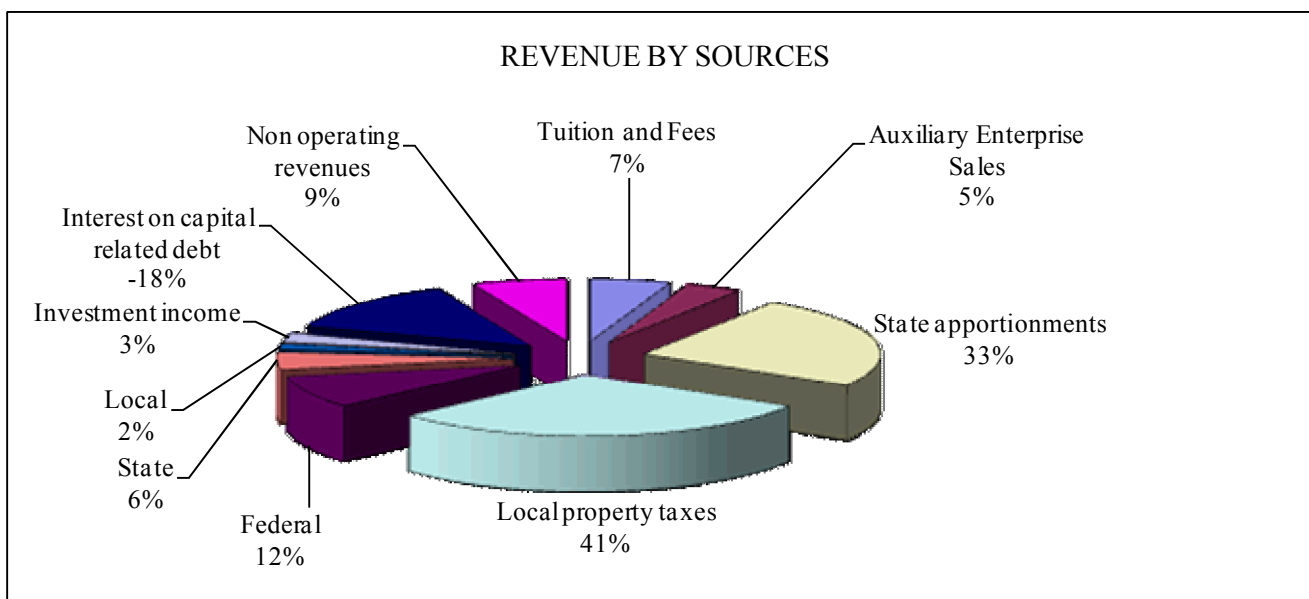
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees and less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore, cafeteria sales and fitness center less discount allowances.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child care development apportionment.
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and March of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.
- Federal, and state grants and contract services are “exchange” transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.
- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt.
- State and Local Revenues, capital includes State scheduled maintenances funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated an increase in tuition and fees.
- Net Non-Operating sources increased mainly due to an increase in the State apportionment revenue and Federal grants.

The District's operating expenses are shown below (with explanatory remarks) by account and by activity. Following are explanatory comments for the Statement of Operating Expenses by Account:

- Salaries and benefits expenses, which represent the largest percentage of the District's operating expense, decreased due to the State budget cuts.
- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating expenses for "exchange" transactions.
- Depreciation of capital assets is computed and recorded by the straight-line method. The District maintains a capitalization threshold of \$5,000 for equipment and \$100,000 for building improvements. Useful lives of the assets are estimated as follows:
 - 5 to 10 years for equipment
 - 25 to 50 years for improvements
 - 25 to 50 years for buildings

Cash Flows

The Statement of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the District's ability to generate net cash flows, and its ability to meet obligations as they come due, or the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies and operating expenses.

State apportionments and property taxes are the primary source of non-capital financing.

- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond and C.O.P. proceeds.
- Cash from investing activities consists of Interest from County Investment Pool, Certifications of Deposits, Bond and Local Agency Investment Fund (LAIF).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2010

	2010	2009	2008
CASH FLOWS PROVIDED BY (USED IN):	in thousands	in thousands	in thousands
Operating Activities	(\$135,159)	(\$131,165)	(\$142,367)
Noncapital financing activities	167,199	151,358	149,238
Capital financing activities	(173,502)	(138,987)	(70,928)
Investing activities	6,899	(13,614)	28,993
NET CHANGE IN CASH AND CASH EQUIVALENTS	(134,564)	(132,408)	(35,064)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	438,861	571,269	606,333
CASH AND CASH EQUIVALENTS, END OF YEAR	\$304,297	\$438,861	\$571,269

Economic Factors and the 2010-11 Budget

The 2009/10 state budget arrived with a 3.4% reduction in state revenues and significant draws upon the District’s cash flows. The state’s revenues continue to come in below the budget. The state is relying on borrowing from schools, deferring payments both within the current and into the next fiscal year. The 2010/11 state budget anticipates a \$19.1 billion gap between revenues and ongoing expenses, many of which are mandated or are match to federal dollars. Although the Governor’s May Revise treats community colleges well, the legislature does not agree with the Governor’s drastic human services cuts and education must take a hit if the budget is to be balanced without additional revenues. The District is relying primarily upon local tax dollars to assist with cash flow, in addition to borrowing through a Tax Revenue Anticipation Note (TRAN). The District adopted a deficit budget for 2009/10, using reserves generated from shifting FTES between years. Because there were no mid-year cuts during 2009/10, the District will not experience that deficit and will end the year with a slight surplus. The District is now planning on a slight deficit for 2010/11, again allowing the possibility of final budget or mid-year cuts. This has allowed the District time to prepare for cuts for the 2010/11 fiscal year. Because the District is planning and preparing for budget cuts one year in advance, the District is able to use the District’s strategic plan to make the cuts in the least harmful way. The District continues to prepare multi-year projections to allow it to plan ahead.

Construction In Progress (C.I.P.) Planning 2010-11 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements of CSM and Skyline College’s Design-Build Projects, State and locally funded modernization projects. The situation at the state level for potential bond funding continues to be undefined as to the date of the next Statewide Capital Outlay Bonding. Staff continues to work with the state update Final Project Proposals and create new Initial Project Proposals, so that the District is poised to receive funding when the state process begins again. Most of the effort for 2010-2011 will be in the completion, move-in, start up and close out of Skyline Building 4 and CSM Building 10, the two largest buildings in C.I.P.II. The amount of time spent planning for future projects in C.I.P.II will begin to subside in 2010-2011. Compilations of site-specific activities, which currently in design or pre-construction are listed below:

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Cañada College:

- Electrical Infrastructure Upgrades

College of San Mateo:

- North Gateway--Demolition of Buildings 21-29-- Project (State Funded)
 - Increment 1- Electrical Load Center 4 Replacement
 - Increment 2- Demolition of Buildings 21-27 & 29; Construction of new North Gateway

Skyline College:

- Electrical Infrastructure Upgrades

San Mateo County Community College District is fortunate in having legislative authority to use a variety of construction delivery methods, to best suit each project's character and bring best value to the Colleges and our taxpayers, including design-build, multiple-prime contracting, as well as the traditional design-bid-build delivery method.

Staff and Faculty Housing

The College District recently opened its second housing project (Cañada Vista) for faculty and staff on Parking Lot 3 at Cañada College. The project was fully entitled by the City of Redwood City, Town of Woodside and the Local Agency Formation Commission; construction began in April, 2009 and the grand opening occurred on August 12, 2010.

Canada Vista has 60 units: 22 one bedroom or one bedroom with den; 32 two bedrooms; and 6 three-bedroom units. Fifty-six units will have private, individual garages and a washer/dryer. Interior amenities include 9 foot ceilings, wood entryways, individual patios or decks; large windows and sliding glass doors. As is the case with College Vista, rents are expected to be significantly below market rate. The District has allocated 52 of the units to faculty and staff who were on the wait list for housing; six units are being reserved for newly hired faculty and staff.

The College Vista Project, which has been open for more than 4½ years, continues to be successful and we believe that it has helped the district increase its retention of employees. Twelve employees who lived at College Vista have moved out to purchase new homes.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010



Contacting the District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to James W. Keller, Executive Vice Chancellor, by phone at 650-574-6500 or by e-mail at kellerj@smccd.edu.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 52,658,313	\$ 70,270,706
Accounts receivable, net	36,730,049	26,624,489
Student loans receivable	1,444,989	770,222
Prepaid expenses	3,592,332	172,303
Deferred charges	266,780	266,780
Stores inventories	1,841,518	1,832,612
Total Current Assets	96,533,981	99,937,112
Noncurrent Assets		
Deferred charges	5,149,046	5,415,828
Prepaid expenses	511,915	7,078,461
Restricted cash and cash equivalents	251,638,753	368,589,938
Nondepreciable capital assets	197,058,518	180,487,313
Depreciable capital assets, net of depreciation	408,115,705	284,577,220
Total Noncurrent Assets	862,473,937	846,148,760
TOTAL ASSETS	959,007,918	946,085,872
LIABILITIES		
Current Liabilities		
Accounts payable	28,686,223	32,118,233
Interest payable, restricted	14,990,244	16,624,786
Deferred revenue	12,002,231	11,507,994
Bonds and notes payable - current portion	11,200,000	9,575,000
Bond premium - current portion	877,627	877,627
Total Current Liabilities	67,756,325	70,703,640
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	3,489,506	3,338,217
Bonds and notes payable - noncurrent portion	683,767,051	677,772,064
Net OPEB Obligation	-	4,350,423
Other long-term liabilities - noncurrent portion	17,551,018	18,428,645
Total Noncurrent Liabilities	704,807,575	703,889,349
TOTAL LIABILITIES	772,563,900	774,592,989
NET ASSETS		
Invested in capital assets, net of related debt	62,387,368	66,322,802
Restricted for:		
Debt service	20,213,256	18,441,351
Capital projects	69,832,065	58,337,149
Educational programs	4,946,405	4,207,126
Other activities	188,718	166,888
Unrestricted	28,876,206	24,017,567
TOTAL NET ASSETS	\$ 186,444,018	\$ 171,492,883

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	\$ 17,238,134	\$ 13,580,206
Less: Fee waivers and allowance	(4,936,761)	(3,241,560)
Net tuition and fees	<u>12,301,373</u>	<u>10,338,646</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	8,181,477	8,769,069
Cafeteria	186,399	211,458
Fitness Center	215,505	-
TOTAL OPERATING REVENUES	<u>20,884,754</u>	<u>19,319,173</u>
OPERATING EXPENSES		
Salaries	85,071,308	92,142,686
Employee benefits	25,920,582	31,784,596
Supplies, materials, and other operating expenses and services	27,522,557	32,627,603
Student financial aid	15,270,317	9,097,088
Depreciation	13,885,147	10,486,701
TOTAL OPERATING EXPENSES	<u>167,669,911</u>	<u>176,138,674</u>
OPERATING LOSS	<u>(146,785,157)</u>	<u>(156,819,501)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	55,358,880	48,244,024
Local property taxes, levied for general purposes	40,915,540	53,585,109
Local property taxes, levied for special purposes	26,507,015	24,274,761
Federal grants	19,885,592	12,285,730
State grants	7,567,964	13,644,091
Local grants	2,891,579	2,188,699
State taxes and other revenues	2,817,037	2,307,213
Investment income (loss), net	5,354,937	(15,601,986)
Interest expense on capital related debt	(30,256,360)	(30,588,864)
Interest income on capital asset-related debt, net	114,206	155,977
Other nonoperating revenue	14,514,253	9,405,516
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>145,670,643</u>	<u>119,900,270</u>
LOSS BEFORE OTHER REVENUES AND EXPENSES	<u>(1,114,514)</u>	<u>(36,919,231)</u>
State revenues, capital	1,592,888	11,103,757
Local revenues, capital	<u>14,472,761</u>	<u>2,891,541</u>
TOTAL OTHER REVENUES AND EXPENSES	<u>16,065,649</u>	<u>13,995,298</u>
CHANGE IN NET ASSETS	14,951,135	(22,923,933)
NET ASSETS, BEGINNING OF YEAR	<u>171,492,883</u>	<u>194,416,816</u>
NET ASSETS, END OF YEAR	<u>\$ 186,444,018</u>	<u>\$ 171,492,883</u>

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 12,618,314	\$ 12,810,510
Local grants and contracts	(2,052,169)	5,103,588
Payments to vendors for supplies and services	(27,349,024)	(25,724,876)
Payments to or on behalf of employees	(111,243,775)	(122,866,914)
Payments to students for scholarships and grants	(15,943,740)	(9,245,682)
Auxiliary sales	8,811,134	8,758,558
Net Cash Flows From Operating Activities	<u>(135,159,260)</u>	<u>(131,164,816)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	51,434,144	43,177,654
Property taxes, levied for general purposes	40,915,540	53,585,109
Property taxes, levied for special purposes	26,507,015	24,274,761
Grant and contracts	35,003,471	23,555,343
State taxes and other apportionments	2,817,037	2,307,213
Other receipts (payments)	10,521,487	4,457,667
Net Cash Flows From Noncapital Financing Activities	<u>167,198,694</u>	<u>151,357,747</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(160,626,141)	(122,978,899)
Loss on disposal of capital assets	442,777	328,303
Bond accretions	17,194,987	16,400,341
Net increase (decrease) on OPEB obligations	(4,350,423)	1,641,420
State revenue, capital projects	1,592,888	11,103,757
Local revenue, capital projects	14,472,761	2,891,541
Principal paid on capital debt	(10,452,627)	(16,942,630)
Interest paid on capital debt	(31,890,902)	(31,586,846)
Interest received on capital asset-related debt	114,206	155,977
Net Cash Flows Used for Capital Financing Activities	<u>(173,502,474)</u>	<u>(138,987,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received/(paid) from investments	<u>6,899,462</u>	<u>(13,614,383)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(134,563,578)	(132,408,488)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	438,860,644	571,269,132
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 304,297,066</u>	<u>\$ 438,860,644</u>

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (146,785,157)	\$ (156,819,501)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	13,885,147	10,486,701
Changes in Assets and Liabilities:		
Receivables, net	(824,247)	2,529,798
Inventories	(8,906)	(78,018)
Prepaid and other current assets	3,146,517	3,413,980
Student loans receivable, net	(674,767)	(148,594)
Accounts payable and accrued liabilities	(4,392,084)	8,060,831
Deferred revenue	494,237	1,389,987
Total Adjustments	<u>11,625,897</u>	<u>25,654,685</u>
Net Cash Flows From Operating Activities	<u>\$ (135,159,260)</u>	<u>\$ (131,164,816)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents, unrestricted	\$ 52,658,313	\$ 70,270,706
Cash and cash equivalents, restricted	251,638,753	368,589,938
Total Cash and Cash Equivalents	<u>\$ 304,297,066</u>	<u>\$ 438,860,644</u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,601,068</u>	<u>\$ 1,772,764</u>

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009**

	2010		2009		
	Agency Fund		Agency Fund		
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee	BACC JPA
ASSETS					
Cash and cash equivalents	\$ 1,718,403	\$ 115,130	\$ 1,499,388	\$ 57,818	\$ 59,160
Accounts receivable	1,004,649	-	892,979	-	-
Fixed assets	7,854	-	10,929	-	-
Total Assets	\$ 2,730,906	\$ 115,130	\$ 2,403,296	\$ 57,818	\$ 59,160
LIABILITIES					
Accounts payable	\$ 1,701,509	\$ -	\$ 1,507,356	\$ -	\$ -
Due to student groups and other	1,029,397	115,130	895,940	57,818	59,160
Total Liabilities	\$ 2,730,906	\$ 115,130	\$ 2,403,296	\$ 57,818	\$ 59,160

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 77,631	\$ 86,793
Accounts receivable	146	202
Prepaid expenses	2,721	2,500
Total Assets	<u>\$ 80,498</u>	<u>\$ 89,495</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 136
Deferred rent	-	30,614
Other deferred revenue	-	510
Rent security deposits	67,934	50,899
Total Liabilities	<u>67,934</u>	<u>82,159</u>
NET ASSETS		
Unrestricted	12,564	7,336
Total Liabilities and Net Assets	<u>\$ 80,498</u>	<u>\$ 89,495</u>

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
REVENUES		
Rental income	\$ 560,912	\$ 560,482
Interest and dividends	444	1,234
Commission	151	221
Water reimbursement	11,715	11,304
Other local income	1,235	-
Total Revenues	574,457	573,241
EXPENSES		
Operating expenses	97,729	115,083
Total Expenses	97,729	115,083
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(471,500)	(457,500)
Total Other Uses	(471,500)	(457,500)
CHANGE IN NET ASSETS	5,228	658
NET ASSETS, BEGINNING OF YEAR	7,336	6,678
NET ASSETS, END OF YEAR	\$ 12,564	\$ 7,336

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT EDUCATIONAL HOUSING CORPORATION STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,228	\$ 658
Changes in Assets and Liabilities		
Decrease in accounts receivable	56	202
Decrease in prepaid expenses	(221)	221
Increase/(decrease) in accounts payable	(136)	136
Increase/(decrease) in deferred revenue	(31,124)	31,124
Increase in rent security deposits	17,035	875
Net Cash Flows From Operating Activities	<u>(9,162)</u>	<u>33,216</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,162)	33,216
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>86,793</u>	<u>53,577</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 77,631</u></u>	<u><u>\$ 86,793</u></u>

The accompanying notes are an integral part of these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 – ORGANIZATION

Organization

The San Mateo County Community College District (the District) was established in 1922 as a political subdivision of the State of California and provides post secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a “direct benefit”, the “environment and ability to access/influence reporting”, and the “significance” criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

San Mateo County Community College District Financing Corporation
San Mateo County Community Colleges Educational Housing Corporation

The San Mateo County Community College District Financing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been “blended” or consolidated within the financial statements as of the District as if the activity was the District’s. This activity is included as the COP Payment Fund and COP Construction Fund in the District’s governmental funds. Individually-prepared financial statements are not prepared for the Corporation.

The San Mateo County Community Colleges Educational Housing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to operate staff and faculty housing. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity of the Corporation is reported separately in the financial statements. Individually-prepared financial statements are not prepared for the Corporation. The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private corporation. Accordingly, no provision for income taxes has been provided in the functional statements. The Corporation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The District has determined that the San Mateo County Community Colleges Foundation does not meet the criteria for inclusion under GASB 39.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets – Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Assets – Primary Government
 - Statement of Cash Flows – Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statements of Fiduciary Net Assets
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at \$2,246,281 and \$1,757,816 for the years ended June 30, 2010 and 2009, respectively.

Prepaid Expenditures

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventory

Inventory consists primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Inventories are stated at lower of cost or market, utilizing the first in, first out method. The cost is recorded as an expense as the inventory is consumed.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for equipment and \$100,000 for land, buildings and improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

In the entity-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

Restricted – Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for educational and general operations of the District.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these calculations and corrections are accrued in the year in which the FTES area generated.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,601,068.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Mateo bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2001 and 2005 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2010 and 2009, the District distributed \$1,673,444 and \$1,313,235 in student loans through the U.S. Department of Education Federal Family Education Loan Program.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 – DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	180 days	30%	10%
Negotiable Certificates of Deposit	5 years	30%	FDIC
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	\$20 million

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010 and 2009, are classified in the accompanying financial statements as follows:

	<u>2010</u>	<u>2009</u>
Business-type activities	\$ 304,297,066	\$ 438,860,644
Fiduciary funds	1,833,533	1,616,366
Component Unit	77,631	86,793
Total Deposits and Investments	<u>\$ 306,208,230</u>	<u>\$ 440,563,803</u>

Deposits and investments as of June 30, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Cash on hand and in banks	\$ 5,290,160	\$ 1,542,072
Investments	300,918,070	439,021,731
Total Deposits and Investments	<u>\$ 306,208,230</u>	<u>\$ 440,563,803</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County pool and local agency investment fund (LAIF).

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity In Years</u>
Brokered certificates of deposit	\$ 5,000	0.35
County Pool	286,915,630	1.00
State Investment Pool	13,997,440	0.57
Total	<u>\$ 300,918,070</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2010.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010 and 2009, the District's bank balances of approximately \$1,766,000 and \$0, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for bad debt accounts based on a five-year weighted average on uncollectibles accounts receivable to total revenue ratio.

The accounts receivable are as follows:

	<u>2010</u>	<u>2009</u>
Federal Government		
Categorical aid	\$ 2,204,764	\$ 1,679,591
State Government		
Apportionment	11,753,161	7,828,425
Categorical aid	441,857	956,107
Lottery	267,820	1,153,244
Other state sources	1,226,614	5,010,449
Local Sources		
Interest	819,495	2,364,020
Other local sources	15,761,340	4,429,655
Subtotal	<u>32,475,051</u>	<u>23,421,491</u>
Student receivables	6,501,279	4,960,814
Less allowance for bad debt	<u>(2,246,281)</u>	<u>(1,757,816)</u>
Accounts receivables, net	<u>\$ 36,730,049</u>	<u>\$ 26,624,489</u>
Student loans	<u>\$ 1,444,989</u>	<u>\$ 770,222</u>

Receivables at June 30, 2010 and 2009 include \$977,521 for loans made to 14 District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to \$75,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District’s employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2010, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Discretely Presented Component Unit

The Educational Housing Corporation's accounts receivable are interest receivable.

Fiduciary Fund

The Fiduciary Fund's accounts receivable are primarily student fees and interest receivable.

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

The significant item within prepaid expense is that the District has entered into a long-term contract for the insurance of the bond construction projects throughout the District. The insurance agreement calls for an original lump-sum payment of \$10,264,301 which is being amortized over the life of the insurance coverage. The prepaid expense as of June 30, 2010 was \$3,722,524. Amortization of the prepaid balance is as follows:

2010-2011	\$ 3,210,609
2011-2012	503,098
2012-2013	7,558
2013-2014	1,259
Total	<u>\$ 3,722,524</u>

On November 1, 2009, the District entered a lease agreement with San Mateo County Community College District Financing Corporation to finance the acquisition and construction of Canada Vista project. The agreement authorizes the Financing Corporation to borrow from the Retiree Benefits Fund in the amount of \$14,951,276 to finance the acquisition and construction of Canada Vista. This amount has been eliminated for consolidated reporting purpose. The loan will be repaid in fiscal year 2010-2011.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	159,859,021	147,981,558	131,410,353	176,430,226
Total Capital Assets Not Being Depreciated	<u>180,487,313</u>	<u>147,981,558</u>	<u>131,410,353</u>	<u>197,058,518</u>
Capital Assets Being Depreciated				
Land improvements	12,953,351	19,338,948	-	32,292,299
Buildings and improvements	326,411,995	114,640,357	-	441,052,352
Furniture, equipment, and vehicles	22,455,685	3,887,104	832,206	25,510,583
Total Capital Assets Being Depreciated	<u>361,821,031</u>	<u>137,866,409</u>	<u>832,206</u>	<u>498,855,234</u>
Less Accumulated Depreciation				
Land improvements	8,665,435	747,708	-	9,413,143
Buildings and improvements	57,008,646	10,294,495	-	67,303,141
Furniture, equipment, and vehicles	11,569,730	2,842,944	389,429	14,023,245
Total Accumulated Depreciation	<u>77,243,811</u>	<u>13,885,147</u>	<u>389,429</u>	<u>90,739,529</u>
Net Capital Assets Being Depreciated	<u>284,577,220</u>	<u>123,981,262</u>	<u>442,777</u>	<u>408,115,705</u>
Net Capital Assets	<u>\$ 465,064,533</u>	<u>\$ 271,962,820</u>	<u>\$ 131,853,130</u>	<u>\$ 605,174,223</u>

Depreciation expense for the year was \$13,885,147.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	78,486,357	123,729,738	42,357,074	159,859,021
Total Capital Assets Not Being Depreciated	<u>99,114,649</u>	<u>123,729,738</u>	<u>42,357,074</u>	<u>180,487,313</u>
Capital Assets Being Depreciated				
Land improvements	12,953,351	-	-	12,953,351
Buildings and improvements	287,580,688	42,357,074	3,525,767	326,411,995
Furniture, equipment, and vehicles	19,483,400	3,033,077	60,792	22,455,685
Total Capital Assets Being Depreciated	<u>320,017,439</u>	<u>45,390,151</u>	<u>3,586,559</u>	<u>361,821,031</u>
Less Accumulated Depreciation				
Land improvements	8,401,201	264,234	-	8,665,435
Buildings and improvements	52,489,281	7,716,829	3,197,464	57,008,646
Furniture, equipment, and vehicles	9,128,860	2,501,662	60,792	11,569,730
Total Accumulated Depreciation	<u>70,019,342</u>	<u>10,482,725</u>	<u>3,258,256</u>	<u>77,243,811</u>
Net Capital Assets Being Depreciated	<u>249,998,097</u>	<u>34,907,426</u>	<u>328,303</u>	<u>284,577,220</u>
Net Capital Assets	<u>\$ 349,112,746</u>	<u>\$ 158,637,164</u>	<u>\$ 42,685,377</u>	<u>\$ 465,064,533</u>

Depreciation expense for the year was \$10,482,725.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll	\$ 2,105,683	\$ 2,508,857
Construction	11,412,932	18,433,665
Vendor	15,167,608	11,175,711
Total	<u>\$ 28,686,223</u>	<u>\$ 32,118,233</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Discretely Presented Component Unit

The Educational Housing Corporation has no accounts payable as of June 30, 2010.

Fiduciary Fund

The accounts payable of the Fiduciary Fund consists primarily of funds held for the student clubs.

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Federal financial assistance	\$ 5,873	\$ 10,000
State categorical aid	2,630,352	1,387,587
Enrollment fees	5,190,307	3,821,366
Other local	4,175,699	6,289,041
Total	<u>\$ 12,002,231</u>	<u>\$ 11,507,994</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivables and payables consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Prepaid/ Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 687,347,064	\$ 17,194,987	\$ 9,575,000	\$ 694,967,051	\$ 11,200,000
Other Liabilities					
Compensated absences	3,338,217	151,289	-	3,489,506	-
Net OPEB obligation	4,350,423	7,430,914	11,781,337	-	-
Total Other Liabilities	695,035,704	24,777,190	21,356,337	698,456,557	11,200,000
Premiums, net of amortization	19,306,272	-	877,627	18,428,645	877,627
Total Long-term Liabilities	<u>\$ 714,341,976</u>	<u>\$ 24,777,190</u>	<u>\$22,233,964</u>	<u>\$ 716,885,202</u>	<u>\$12,077,627</u>

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 687,011,723	\$ 16,400,341	\$16,065,000	\$ 687,347,064	\$ 9,575,000
Total Bonds and Notes Payable	687,011,723	16,400,341	16,065,000	687,347,064	9,575,000
Other Liabilities					
Compensated absences	3,316,302	21,915	-	3,338,217	-
Net OPEB obligation	2,709,003	8,175,590	6,534,170	4,350,423	-
Total Other Liabilities	693,037,028	24,597,846	22,599,170	695,035,704	9,575,000
Premiums, net of amortization	20,183,902	-	877,630	19,306,272	877,627
Total Long-term Liabilities	<u>\$ 713,220,930</u>	<u>\$ 24,597,846</u>	<u>\$23,476,800</u>	<u>\$ 714,341,976</u>	<u>\$10,452,627</u>

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property revenues. The accrued vacation and Net OPEB obligations are paid by the fund in which the related employee costs are accounted for.

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were \$207,000,000 and \$468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent. At June 30, 2010, the outstanding balances for the 2001 and 2005 bonds were \$208,722,029 and \$486,245,022, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Debt Maturity

General Obligation Bonds

The bonds mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 11,200,000	\$ 15,294,608	\$ 26,494,608
2012	12,985,000	14,836,700	27,821,700
2013	14,910,000	14,289,483	29,199,483
2014	16,945,000	13,692,094	30,637,094
2015	25,219,008	12,940,682	38,159,690
2016-2020	118,344,342	53,378,140	171,722,482
2021-2025	132,084,913	38,479,988	170,564,901
2026-2030	153,113,361	27,978,950	181,092,311
2031-2035	112,130,361	16,436,500	128,566,861
2036-2039	98,035,066	4,818,500	102,853,566
Total	<u>\$ 694,967,051</u>	<u>\$ 212,145,645</u>	<u>\$ 907,112,696</u>

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2008. The District's actuarially-determined annual required contribution (ARC) for the year ended June 30, 2010, was \$7,383,929. The District made a contribution of \$6,177,360 for premiums for current retirees. The balance of the ARC was contributed by the District to the San Mateo County Community College District Public Entity Investment Trust. See Note 12 for additional information regarding the OPEB obligation and the District's postemployment benefit plan.

NOTE 11 – DEFEASED DEBT

In 2006, the District defeased \$30,885,000 certificates of participation issued in 2004 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long-Term Obligations. As of June 30, 2010, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$29,261,106.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 712 retirees and beneficiaries currently receiving benefits and 810 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. During the year, the District contributed \$6,177,360 to the Plan to pay for current retirees' medical premiums. Plan members receiving benefits contributed \$36,575, or approximately .006 percent of the total premiums. Contributions made by retirees range between \$1 to \$335 per month. In addition to the current premium, the District contributed \$5,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities or funding costs (UAAL) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 7,383,929
Interest on net OPEB obligation	46,985
Adjustment to annual required contribution	(730,137)
Annual OPEB cost (expense) - District paid premiums	(6,177,360)
Contributions (total trust, net of investment expenses and interest)	<u>(4,990,358)</u>
Contributions in excess of ARC	(4,466,941)
Net OPEB obligation, beginning of year	<u>4,350,423</u>
Prepaid OPEB, end of year	<u>\$ (116,518)</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation/(Prepaid)
2008	\$ 9,056,503	\$ 6,339,552	70%	\$ 2,709,003
2009	8,175,590	6,534,170	80%	4,350,423
2010	7,383,929	11,167,718	100%	(116,518)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2010, is as follows:

Actuarial Accrued Liability (AAL)	\$ 108,915,006
Actuarial Value of Plan Assets	(4,990,358)
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 103,924,648</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	5%
Covered Payroll	\$ 85,080,018
UAAL as Percentage of Covered Payroll	<u>122%</u>

The above noted actuarial accrued liability was based on the revised September 8, 2009, actuarial valuation. In October 2009, the District established an irrevocable trust fund for the Other Postemployment Benefit Plan and transferred \$5 million into the Trust to relieve the District of its post retirement medical benefits liability. The Plan assets as of June 30, 2010 were \$4,990,358. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

In the September 8, 2009 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), based on the Plan being funded in a retiree benefits reserve fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2010, was 29 years. The actuarial value of assets was not determined in this actuarial valuation. At July 1, 2010, the Trust held net assets in the amount of \$4,990,358 in investments with Benefit Trust.

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2010, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first \$150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation

For the fiscal year, the District contracted with Andreini and Company for placement of excess workers' compensation insurance program. The District is self-insured for the first \$350,000.

Employee Medical Benefits

The District has contracted with the Cal PERS to provide employee medical and surgical benefits. CalPERS is a shared risk pool comprised of nearly 2,500 employers and covers five regions (Bay Area, Other Northern California, Southern California, Other Southern California, and Out of State). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The CalPERS Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. CalPERS requires the District to have a post retirement medical benefit plan for CalPERS members.

The District also contributed towards the medical plan premiums of PERS and STRS retirees who did not meet the District eligibility requirements for retiree benefits when they retired. This contribution is required by CalPERS and is called the "Employer Share" and was established in order to provide retirees, regardless of District eligibility, with continuation of group medical insurance coverage at a reduced monthly premium. There are currently 60 retirees that fall under this categorical and the District's share for the fiscal year was \$349,230.

Claim Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Unpaid Claim Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2008	\$ 868,625	\$ 300,000
Claims and changes in estimates	938,053	-
Claims payments	(272,532)	-
Liability Balance, June 30, 2009	1,534,146	300,000
Claims and changes in estimates	118,565	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2010	<u>\$ 1,652,711</u>	<u>\$ 150,000</u>
Assets available to pay claims at June 30, 2010	<u>\$ 9,156,855</u>	<u>\$ 150,000</u>

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$3,114,710, \$3,248,693, and \$3,538,898, respectively, and equal 100 percent of the required contributions for each year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$3,251,939, \$3,221,484, and \$3,067,890, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2010, 2009, and 2008 amounted to \$1,601,068, \$1,772,764, and \$1,771,986, respectively, and equaled 4.267 percent of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees two 457 and seven 403 (b) tax deferred compensation plans. The plans, available to all employees, permits them to defer a portion of their pre-tax salary into investment(s) provided by the plans. The deferred compensation will become available once a qualifying event, as defined by the IRS, has been met. The District oversees the administrative functions of these plans. The District makes employer contributions for five of its employees, otherwise, these plans are strictly for employee contributions only.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

The California State Controller's Office audited the District's mandated costs claims in 2003-2004. As the result of the audit, the District has set aside a reserve for the liability. However, the District is in the process of disputing this liability with the State.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2010.

Early Retirement

The District offered an early incentive retirement plan to all bargaining units who elect early retirement. The cost of the incentives for fiscal year 2009-2010 was \$1,104,261. \$959,261 had been paid during the year. The remaining of the incentive in the amount of \$145,000 will be paid in fiscal year 2010-2011.

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	\$ 1,930,158	within 1 year
State funded capital outlay projects	3,365,917	within 1 year
2001 G.O. Bond (Measure C) construction projects	3,664	within 6 months
2005 G.O. Bond (Measure A) construction projects	40,238,235	within 3 years
	<u>\$ 45,537,974</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Deferral of State Apportionments

The State legislature has not enacted a budget as of June 30, 2010. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was \$11,841,284 which have been received as of December 14, 2010. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is self-insured for the workers’ compensation and property and liability up to \$150,000. The District contracts with MacCorkle Inc., an insurance broker to manage the District’s insurance claims. The District pays an annual premium to MacCorkle for their services. The relationships between the District and the risk management company are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2010, the District made payment of \$53,000 to MacCorkle Inc. for the insurance related services. The District also paid \$30,308 and \$224,975 to School Excess Liability Fund and Princeton Excess and Surplus for excess liability program.

The District is a member of South Bay Regional Public Safety Training Consortium JPA. During the year, the District made payments of approximately \$136,950 to South Bay Regional Public Safety Training Consortium JPA for the purpose of serving the students and providing them instruction.

NOTE 17 - TAX AND REVENUE ANTICIPATION NOTES

On July 6, 2009, the District issued \$29,530,000 Tax and Revenue Anticipation Notes bearing interest at 2.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 1, 2010. By May 2010, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$29,530,000 and related accrued interest and cash held in trust are not included in these financial statements.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2009 2.50% TRANS	\$ -	\$29,530,000	\$29,530,000	\$ -

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$14,415,000 of Tax and Revenue Anticipation Notes dated July 1, 2010. The notes mature on June 1, 2011, and yield 0.650 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2011, until 100 percent of principal and interest due is on account in May, 2011.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
September 1, 2006	\$ -	\$ 149,530,877	\$ 149,530,877	\$ -	\$ 87,823,351	170.26%
Septembr 8, 2009, revised *	\$ -	\$ 108,915,006	\$ 108,915,006	\$ -	\$ 92,142,686	118.20%
Septembr 8, 2009, revised *	\$ -	\$ 108,915,006	\$ 108,915,006	\$ -	\$ 85,080,018	128.01%

* The September 8, 2009 actuarial study was revised to reflect the change in interest rate assumption from 5% to 7% upon the establishment of the trust and a new investment policy. As of June 30, 2010, the District has total assets of \$4,990,358 in the OPEB irrevocable trust.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2010

The San Mateo County Community College District was established in 1922, and includes three college campuses located in San Mateo County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges, Western, Association of Schools and Colleges.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Patricia Miljanich	President	2011
Dave Mandelkern	Vice President- Clerk	2011
Helen Hausman	Trustee	2013
Richard Holober	Trustee	2013
Karen Schwarz	Trustee	2011

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
James Keller	Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Tom Mohr	President – Canada College
Victoria Morrow	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster		
Federal Work Study Program	84.033	\$ 382,537
ARRA - Federal Work Study Program	84.033	45,774
Pell Grant	84.063	13,782,511
Supplemental Educational Opportunity Grant (SEOG)	84.007	482,356
Federal Family Education Loans	84.032	1,673,444
Academic Competitiveness Grant (ACG)	84.375	123,356
Postsecondary Education		
TRIO Cluster		
Student Support Services	84.042A	845,803
Upward Bound	84.047A	235,362
Passed through Santa Clarita Community College District		
Fund for the Improvement of Postsecondary Education	84.116Z	57,000
International Education		
Undergraduate International Studies and Foreign Language	84.016	11,478
Undergraduate Education		
Minority Science and Engineering Improvement	84.120	310,495
College Cost Reduction and Access Act Hispanic Serving Institutions	84.031C	559,453
Vocational Education		
Passed through Cabrillo Community College District:		
CTEA II Tech Prep Education	84.243	10,000
Passed through California Department of Education:		
CTEA I-C Basic Grants to States	84.048A	663,152
CTEA II Tech Prep Education	84.243	203,250
Elementary and Secondary Education		
Passed through California Department of Development Services:		
Special Education-Grants for Infants and Families	84.181	9,750
Passed through Sequoia Union High School District:		
Twenty-First Century Community Learning Centers	84.287	1,678
Passed through California Department of Education/CCCCO:		
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	507,922
Special Education and Rehabilitation Services		
Passed through California Department of Rehabilitation:		
Vocational Rehabilitation-Workability	84.126A	143,858
Total U.S. Department of Education		<u>20,049,179</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Administration for Children and Families		
Passed through California Department of Education:		
Temporary Assistance for Needy Families (TANF)	93.558	71,250
ARRA - Temporary Assistance for Needy Families (TANF), ECF	93.714	76,564
Child Care and Development Block Grant	93.575	27,348
Total U.S. Department of Health and Human Services		<u>175,162</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through California Department of Education:		
Child and Adult Care Food Program	10.558	37,124
Passed through County of San Mateo/California DSS:		
Supplemental Nutrition Assistance Program	10.551	75,014
Total U.S. Department of Agriculture		<u>112,138</u>
U.S. DEPARTMENT OF LABOR		
Passed through County of San Mateo/California EDD:		
WIA Dislocated Workers	17.260	72,257
ARRA - WIA Dislocated Workers	17.260	173,374
Passed through California Employment Development Department/CCCCO:		
WIA Governor's 15% Discretionary Fund	17.258	36,382
ARRA - WIA Governor's 15% Discretionary Fund	17.258	44,175
Community Based Job Training Grants	17.269	624,940
Total U.S. Department of Labor		<u>951,128</u>
U.S. DEPARTMENT OF THE TREASURY		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	13,000
NATIONAL SCIENCE FOUNDATION		
Education and Human Resources	47.076	303,427
Total Expenditures of Federal Awards		<u>\$ 21,604,034</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Program	Program Revenues				Total Program Expenditures
	Cash Received ^[1]	Accounts Receivable	Deferred Revenue	Total Revenue	
GENERAL FUND					
Disabled Students Programs & Services	\$ 1,191,991	\$ -	\$ 113,816	\$ 1,078,175	\$ 1,078,175
Extended Opportunity Programs & Services	1,154,887	-	2,661	1,152,226	1,152,226
CARE/EOPS	93,613	-	1,297	92,316	92,316
Matriculation	814,653	-	-	814,653	814,653
Foster Parent Training	46,451	35,326	1,923	79,854	79,854
FA Administrative Allowance	809,820	-	28,547	781,273	781,273
Block Grant	1,329,691	-	1,263,679	66,012	66,012
T-Com and Technology (TTIP)	186,874	-	112,589	74,285	74,285
CalWORKS	316,095	-	1,583	314,512	314,512
Middle College High School	96,353	101,525	-	197,878	197,878
CITD Economic Development	64,982	54,047	-	119,029	119,029
Transfer and Articulation	457	-	-	457	457
Staff Diversity	2,943	-	-	2,943	2,943
Staff Development	58,635	-	48,288	10,347	10,347
Statewide Leadership Multimedia	71,864	-	71,864	-	-
MESA/CCCP Funds for Student Success	110,138	7,602	-	117,740	117,740
RCSD CBET Program	33,245	44,998	-	78,243	78,243
Lottery-Prop 20-Instructional Materials	37,053	267,820	-	304,873	120,520
Nursing-Enrollment Growth	163,619	3,872	-	167,491	167,491
TTIP Video Over IP Grant	11,619	-	11,619	-	-
SUHSD CBET Program	24,986	19,366	-	44,352	44,352
CCC Live Caption	9,036	-	9,036	-	-
Basic Skills 09-10	359,267	-	263,978	95,289	95,289
Basic Skills 07-08	110,040	-	-	110,040	110,040
CTE Equip - Allied Health	2,048	-	392	1,656	1,656
Econ Dev IDRC Surgical Technology	131,216	24,994	-	156,210	156,210
CTE Community Collaborative Project	194,614	-	-	194,614	194,614
Basic Skills 08-09	482,047	-	153,067	328,980	328,980
CTE Com Collaborative Project 09-10	375,651	-	217,572	158,079	158,079
CTE Com Collaborative Project 10-12	309,998	-	288,115	21,883	21,883
Entrepreneurship Career Pathways	35,000	50,000	-	85,000	85,000
LACCD - CCC ESL/BSI Prof Dev Grant	62,500	-	129	62,371	62,371
Los Rios CCD - Kaiser RWT - Canada	-	11,488	-	11,488	11,488
State Library	25,547	-	21,724	3,823	3,823
CDE Child Development	341,039	59,554	-	400,594	400,593
Cal Grant	430,564	29,085	18,473	441,176	441,176
Total State Programs	\$ 9,488,536	\$ 709,677	\$ 2,630,352	\$ 7,567,862	\$ 7,383,508

[1]Include cash received from prior year.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT – ANNUAL (ACTUAL) ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

CATEGORIES	Revised Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	11	-	11
2. Credit	2,734	-	2,734
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,790	-	16,790
(b) Daily Census Contact Hours	1,182	-	1,182
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	109	-	109
(b) Credit	804	-	804
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	978	-	978
(b) Daily Census Procedure Courses	312	-	312
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>22,920</u>	<u>-</u>	<u>22,920</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	48	-	-
2. Credit	2,259	-	-
	<u>2,307</u>	<u>-</u>	<u>-</u>

* Revised, November 2010.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance:

General Funds	\$ 20,924,286
Special Revenue Funds	33,938,244
Capital Projects Funds	218,549,641
Debt Service Funds	20,213,256
Enterprise Funds	6,771,735
Internal Service Funds	7,504,144
Fiduciary Funds	250,646

Total Fund Balance - All District Funds **\$ 308,151,952**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 695,913,752	
Accumulated depreciation is	<u>(90,739,529)</u>	605,174,223

Capital assets recorded in proprietary funds. (422,537)

Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis. 5,415,826

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (14,990,244)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable	694,967,051	
Premiums, net of amortization	18,428,645	
Compensated absences (vacations)	<u>3,489,506</u>	<u>(716,885,202)</u>

Total Net Assets **\$ 186,444,018**

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 19,885,592
Federal Family Education Loans		1,673,444
Adjustments to Skyline SEOG program (with \$2 rounding difference)		44,998
Total Expenditures of Federal Awards		<u>\$ 21,604,034</u>

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment – Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. These schedules provide information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS - 311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

*INDEPENDENT AUDITORS'
REPORTS*



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the basic financial statements of San Mateo County Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 14, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered San Mateo County Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Mateo County Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of San Mateo County Community College District in a separate letter dated December 14, 2010.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 14, 2010



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
San Mateo County Community College District
San Mateo, California

Compliance

We have audited the compliance of San Mateo County Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its San Mateo County Community College District's major Federal programs for the year ended June 30, 2010. San Mateo County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Mateo County Community College District's management. Our responsibility is to express an opinion on San Mateo County Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

In our opinion, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Mateo County Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 14, 2010



REPORT ON STATE COMPLIANCE

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the compliance of San Mateo County Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, San Mateo County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2010-1.

San Mateo County Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit San Mateo County Community College District's response and, accordingly, we express no opinion.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 14, 2010

*SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS*

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.033 (Include ARRA), 84.063, 84.007, 84.375, 84.032	Student Financial Aid Cluster (Include ARRA)
84.042A, 84.047A	TRIO Cluster
84.120	Minority Science and Engineering Improvement
84.394	State Fiscal Stabilization Fund - ARRA
93.558, 93.714 (ARRA)	Temporary Assistance for Needy Families (Include ARRA)
17.260 (Include ARRA), 17.258 (Include ARRA)	WIA Cluster (Include ARRA)
17.269	Community Based Job Training Grants
47.076	Education and Human Resources

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2010-1 Concurrent Enrollment of K-12 Students In Community College Credit Courses

Criteria or Specific Requirement

Education Code section 87356 requires the Board of Governors to adopt regulations to establish minimum qualifications for service as a community college faculty member. Education Code section 87357 requires the Board of Governors to engage in various activities in establishing those minimum qualifications. Subsection (b) of section 87357 requires the Board to issue a list of disciplines that is to be distributed to the districts for their use in applying the minimum qualifications for service.

Title 5, section 53410 sets the basic minimum qualifications for credit instructors which include either a master's degree "in the discipline of the faculty member's assignment" or a master's degree "in a discipline reasonably related" to the assignment and a bachelor's degree "in the discipline of the faculty member's assignment."

Education Code section 87359 requires the Board of Governors to adopt regulations setting forth a process to allow local districts to employ faculty members who do not meet the minimum qualifications adopted by the Board of Governors. The section provides that a person may be hired to serve as a faculty member if the district governing board determines that the individual "possesses qualifications that are at least equivalent to the minimum qualifications specified in regulations of the board of governors adopted pursuant to Section 87356." The section requires a process to ensure that "each individual faculty member employed under the authority granted by the regulations possesses minimum qualification specified in regulations adopted by the board of governors."

Condition

We noted at Skyline College that one credit instructor did not have the necessary documentation on file to show that the instruction met the minimum qualification requirements as described above.

Questioned Costs

0.16 FTES or approximately \$700.

Context

The course taught by the instructor was Music -377 (course # 92570) in Fall 2009 semester. The weekly student contact hours for the course were 82.8 hours.

Effect

The District is not in compliance with the requirements of instructor minimum qualification.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Cause

The College did not obtain all necessary documentation as required to show teacher hired met minimum teaching qualification.

Recommendation

Individuals having hiring responsibilities should be reminded the importance of following the appropriate policy and procedures established by governing board and the requirements indicated in CCR Title 5, section 53410.

District Response

The instructor was hired to teach guitar. At the time he was hired, he had over 20 years of experience playing the guitar professionally. The relatively new dean was unaware that the instructor would have to apply for an equivalency as the dean did not believe a degree was necessary to teach guitar given 20 years of professional experience. The District will conduct an education forum for the deans about equivalencies, minimum qualifications and FSA's to prevent this in the future.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

*ADDITIONAL SUPPLEMENTAL
INFORMATION*

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
ASSETS				
Cash and cash equivalents	\$ 15,124,373	\$ 9,229,700	\$ 125,232	\$ 17,684,139
Accounts receivable, net of allowance	17,403,082	2,723,499	77,077	1,117,857
Due from other funds	84	-	-	-
Prepaid expenses	158,654	7,979	-	-
Other current assets	-	-	-	14,951,276
Total Assets	\$ 32,686,193	\$ 11,961,178	\$ 202,309	\$ 33,753,272
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ -	\$ -
Accounts payable	11,452,296	621,907	4,924	3,218
Due to other funds	84	-	-	-
Other current liabilities	-	-	-	-
Deferred revenue	5,255,932	6,392,866	8,667	528
Total Liabilities	16,708,312	7,014,773	13,591	3,746
FUND EQUITY				
Fund Balances				
Reserved	8,620,671	4,946,405	-	-
Unreserved				
Designated	7,357,210	-	-	-
Undesignated	-	-	188,718	33,749,526
Total Fund Equity	15,977,881	4,946,405	188,718	33,749,526
Total Liabilities and Fund Equity	\$ 32,686,193	\$ 11,961,178	\$ 202,309	\$ 33,753,272

See accompanying note to additional supplementary information.

Bond Interest and Redemption	COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Total Governmental Funds (Memorandum Only)
\$ 20,007,060	\$ 160,800	\$ 79,155,078	\$ 152,315,815	\$ -	\$ 293,802,197
44,966	430	3,307,385	584,522	11,341,251	36,600,069
-	-	2,300,000	1,118,895	-	3,418,979
-	-	36,000	3,901,614	-	4,104,247
-	-	-	-	-	14,951,276
<u>\$ 20,052,026</u>	<u>\$ 161,230</u>	<u>\$ 84,798,463</u>	<u>\$ 157,920,846</u>	<u>\$ 11,341,251</u>	<u>\$ 352,876,768</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,660,292	\$ 5,660,292
-	-	1,625,108	9,203,270	593,540	23,504,263
-	-	1,118,895	-	2,300,000	3,418,979
-	-	14,951,276	-	-	14,951,276
-	-	58,538	-	-	11,716,531
<u>-</u>	<u>-</u>	<u>17,753,817</u>	<u>9,203,270</u>	<u>8,553,832</u>	<u>59,251,341</u>
-	-	-	-	-	13,567,076
-	-	-	-	-	7,357,210
<u>20,052,026</u>	<u>161,230</u>	<u>67,044,646</u>	<u>148,717,576</u>	<u>2,787,419</u>	<u>272,701,141</u>
<u>20,052,026</u>	<u>161,230</u>	<u>67,044,646</u>	<u>148,717,576</u>	<u>2,787,419</u>	<u>293,625,427</u>
<u>\$ 20,052,026</u>	<u>\$ 161,230</u>	<u>\$ 84,798,463</u>	<u>\$ 157,920,846</u>	<u>\$ 11,341,251</u>	<u>\$ 352,876,768</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Retiree Benefits</u>
REVENUES				
Federal revenues	\$ -	\$ 5,504,262	\$ 38,107	\$ -
State revenues	58,175,641	6,726,193	400,593	-
Local revenues	55,651,083	8,494,994	194,218	298,722
Total Revenues	<u>113,826,724</u>	<u>20,725,449</u>	<u>632,918</u>	<u>298,722</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	47,241,193	4,729,272	181,357	-
Classified salaries	22,198,874	7,870,389	504,597	-
Employee benefits	24,914,923	3,466,599	323,550	-
Books and supplies	1,578,156	1,164,773	43,007	-
Services and operating expenditures	8,361,594	3,118,135	5,247	50,140
Capital outlay	72,351	745,584	-	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	<u>104,367,091</u>	<u>21,094,752</u>	<u>1,057,758</u>	<u>50,140</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,459,633</u>	<u>(369,303)</u>	<u>(424,840)</u>	<u>248,582</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	2,022,692	446,670	1,500,000
Operating transfers out	(8,009,527)	(280,969)	-	-
Other sources	7,518	242,707	-	2,435,979
Other uses	(10,148)	(875,848)	-	(5,000,000)
Total Other Financing Sources (Uses)	<u>(8,012,157)</u>	<u>1,108,582</u>	<u>446,670</u>	<u>(1,064,021)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,447,476	739,279	21,830	(815,439)
FUND BALANCE, BEGINNING OF YEAR	<u>14,530,405</u>	<u>4,207,126</u>	<u>166,888</u>	<u>34,564,965</u>
FUND BALANCE, END OF YEAR	<u>\$15,977,881</u>	<u>\$ 4,946,405</u>	<u>\$ 188,718</u>	<u>\$33,749,526</u>

See accompanying note to additional supplementary information.

Bond Interest and Redemption	COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,542,369
171,843	-	1,592,888	-	-	67,067,158
26,746,014	2,590	3,457,689	3,635,931	11,411,041	109,892,282
<u>26,917,857</u>	<u>2,590</u>	<u>5,050,577</u>	<u>3,635,931</u>	<u>11,411,041</u>	<u>182,501,809</u>
-	-	-	142,080	-	52,293,902
-	-	268,528	2,969,298	383	33,812,069
-	-	69,727	1,037,571	54	29,812,424
-	-	226,968	6,058,062	23,457	9,094,423
-	-	324,689	10,060,974	521,021	22,441,800
-	-	1,270,719	119,060,251	9,963,230	131,112,135
9,575,000	-	-	-	-	9,575,000
15,573,542	-	-	-	-	15,573,542
<u>25,148,542</u>	<u>-</u>	<u>2,160,631</u>	<u>139,328,236</u>	<u>10,508,145</u>	<u>303,715,295</u>
1,769,315	2,590	2,889,946	(135,692,305)	902,896	(121,213,486)
-	-	6,346,720	-	-	10,316,082
-	-	-	-	(2,300,000)	(10,590,496)
-	-	470,831	-	-	3,157,035
-	-	(1,000,000)	-	-	(6,885,996)
<u>-</u>	<u>-</u>	<u>5,817,551</u>	<u>-</u>	<u>(2,300,000)</u>	<u>(4,003,375)</u>
1,769,315	2,590	8,707,497	(135,692,305)	(1,397,104)	(125,216,861)
18,282,711	158,640	58,337,149	284,409,881	4,184,523	418,842,288
<u>\$ 20,052,026</u>	<u>\$ 161,230</u>	<u>\$ 67,044,646</u>	<u>\$148,717,576</u>	<u>\$ 2,787,419</u>	<u>\$ 293,625,427</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEET
JUNE 30, 2010**

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Fitness Center	Total	
ASSETS					
Cash and cash equivalents	\$ 5,000,055	\$ 277,725	\$ 1,025,187	\$ 6,302,967	\$ 9,306,855
Accounts receivable	100,937	27,699	1,344	129,980	-
Stores inventories	1,841,518	-	-	1,841,518	-
Furniture and equipment (net)	275,069	138,492	8,976	422,537	-
Total Assets	\$ 7,217,579	\$ 443,916	\$ 1,035,507	\$ 8,697,002	\$ 9,306,855
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 539,841	\$ 28,416	\$ 237,775	\$ 806,032	\$ -
Current loan	-	-	1,000,000	1,000,000	-
Deferred revenue	-	-	119,235	119,235	-
Claim liabilities	-	-	-	-	1,802,711
Total Liabilities	539,841	28,416	1,357,010	1,925,267	1,802,711
FUND EQUITY					
Retained earnings	6,677,738	415,500	(321,503)	6,771,735	7,504,144
Total Liabilities and Fund Equity	\$ 7,217,579	\$ 443,916	\$ 1,035,507	\$ 8,697,002	\$ 9,306,855

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Total	Internal Service Fund
	Bookstore	Cafeteria	Fitness Center		
OPERATING REVENUES					
Sales revenues	\$ 7,873,046	\$ 186,399	\$ 215,505	\$ 8,274,950	\$ -
Other local revenues	308,431	-	-	308,431	1,751,462
Total Operating Income	8,181,477	186,399	215,505	8,583,381	1,751,462
OPERATING EXPENSES					
Classified salaries	1,799,106	21,294	272,706	2,093,106	101,235
Employee benefits	25,810	5,751	-	31,561	49,823
Books and supplies	5,795,411	-	-	5,795,411	-
Services and other operating expenditures	479,713	144,687	267,850	892,250	440,800
Total Operating Expenses	8,100,040	171,732	540,556	8,812,328	591,858
Operating Income (Loss)	81,437	14,667	(325,051)	(228,947)	1,159,604
NONOPERATING REVENUES (EXPENSES)					
Interest income	124,563	2,390	3,548	130,501	57,843
Total Nonoperating Revenues (Expenses)	124,563	2,390	3,548	130,501	57,843
NET INCOME (LOSS) RETAINED EARNINGS, BEGINNING OF YEAR	206,000	17,057	(321,503)	(98,446)	1,217,447
RETAINED EARNINGS, END OF YEAR	6,471,738	398,443	-	6,870,181	6,286,697
RETAINED EARNINGS, END OF YEAR	\$ 6,677,738	\$ 415,500	\$ (321,503)	\$ 6,771,735	\$ 7,504,144

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Internal Service Fund	
	Bookstore	Cafeteria	Fitness Center		Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from user charges	\$8,396,068	\$200,905	\$ 214,161	\$8,811,134	\$ 1,751,462
Cash received (paid) from other funds	-	(40,948)	-	(40,948)	-
Cash payments to employees for services	(1,824,916)	(27,045)	(272,706)	(2,124,667)	(151,058)
Cash payments for insurance claims	-	-	-	-	(31,926)
Cash payments to suppliers for goods and services	(6,370,523)	(103,593)	89,632	(6,384,484)	(440,800)
Net Cash Provided (Used) for Operating Activities	200,629	29,319	31,087	261,035	1,127,678
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loss on disposal of capital assets	2,003	358		2,361	-
Acquisition of capital assets	(7,516)	-	(9,448)	(7,516)	-
Net Cash Used for Capital and Related Financing Activities	(5,513)	358	(9,448)	(14,603)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	124,563	2,390	3,548	126,953	57,843
Net Cash Provided from Investing Activities	124,563	2,390	3,548	126,953	57,843
Net increase (decrease) in cash and cash equivalents	319,679	32,067	1,025,187	1,376,933	1,185,521
Cash and cash equivalents - Beginning	4,680,376	245,658	-	4,926,034	8,121,334
Cash and cash equivalents - Ending	\$5,000,055	\$277,725	\$1,025,187	\$6,302,967	\$9,306,855
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	81,437	14,667	(325,051)	(228,947)	1,159,604
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	84,301	29,268	472	114,041	-
Changes in assets and liabilities:					
Receivables	214,590	14,506	(1,344)	227,752	-
Due to other fund	-	(40,948)	-	(40,948)	-
Prepaid expenses	47,562	-	-	47,562	-
Inventories	(8,906)	-	-	(8,906)	-
Accrued liabilities	(218,355)	11,826	237,775	31,246	(31,926)
Deferred revenue	-	-	119,235	119,235	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 200,629	\$ 29,319	\$ 31,087	\$ 261,035	\$ 1,127,678

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2010**

	Trust	Agency Fund	
	Student Financial Aid	Associated Students Trust	Student Representation Fee
ASSETS			
Cash and cash equivalents	\$ 545,339	\$ 1,718,403	\$ 115,130
Accounts receivable	1,444,989	1,004,649	-
Fixed assets	-	7,854	-
Total Assets	\$ 1,990,328	\$ 2,730,906	\$ 115,130
LIABILITIES AND FUND EQUITY			
Accounts payable	\$ 1,573,217	\$ 1,701,509	\$ -
Deferred revenue	166,465	-	-
Due to student groups and other	216	1,029,397	115,130
Total Liabilities	1,739,898	\$ 2,730,906	\$ 115,130
FUND BALANCE			
Unreserved	250,430		
Total Liabilities and Fund Balance	\$ 1,990,328		

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Student Financial Aid
REVENUES	
Federal revenues	\$ 14,343,223
State revenues	441,176
Local revenues	426,212
Total Revenues	<u>15,210,611</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	280,969
Operating transfers out	(6,555)
Other uses	(15,469,907)
Total Other Financing Sources (Uses)	<u>(15,195,493)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	15,118
FUND BALANCE, BEGINNING OF YEAR	<u>235,312</u>
FUND BALANCE, END OF YEAR	<u>\$ 250,430</u>

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of San Mateo County Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is not required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.